

PRIVILEGED AND CONFIDENTIAL

For a variety of reasons, the long-standing growth and (potentially) fundamental business model of Google Play is under pressure in 2019. This is being driven by a confluence of factors, including:

- The size and margins of the market are making it attractive for new entrants, either drafting on existing distribution (OEMs) or competing on rev-share rates (Epic)
- A meme is emerging related to the “app store tax”, unfairly comparing the app store revenue share to basic payment processing and putting pressure on Play’s 30%. Larger developers who have more standalone capabilities (and often differentiated content) are leveraging this discontent to attempt to negotiate differentiated rates or go-it-alone.

These problems are very real and playing out in the market in 2019. Epic/Fortnite, Galaxy Store, conversations with large developers at GDC, etc...

Combined, these two risks could have major effects on Google Play’s business in the near term...

We propose to solve these challenges through a combination of tactics that are required in conjunction:

- Firstly, competing on price (rev-share) is prone to be a race to the bottom and is **not** necessary across the board (only to the most strategic partners where loss of the titles would disproportionately affect the business). We are interested in solving for this in a way that accomplishes two goals simultaneously: (1) lowers the effective rev-share of Play while maintaining the prevailing rate, and (2) returning this value in a way that accrues value back to Google. **This is Hug.**
- Secondly, the defense of Google Play as the preeminent Android app distribution store can be focused around major points of distribution, particularly in aligning Android’s largest OEMs around Play as an app distribution source. There is also a user privacy / security benefit of doing this. **This is Samsung (and maybe Huawei)**
- Finally, the prevailing 30% rev-share rate may not be sustainable over time, and it’s in our interests to innovate in that regard before the decision is taken away from us. There are options that are likely Googley, good for the ecosystem, and allow us to continue to derive the right level of value from our investment. **This is the business model project.**

**EXHIBIT 591**

**GOOG-PLAY-004509200****Metadata**

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